

Decision 03-09-001 September 4, 2003

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U 902 E) in The Third Annual Transition Cost Proceeding Addressing (1) the Transition Cost Balancing Account (TCBA), and (2) the Reasonableness of San Diego Gas & Electric Company's Energy Procurement Practices.

Application 00-10-008
(Filed October 2, 2000)

**OPINION ON 2000 ANNUAL
TRANSITION COST PROCEEDING**

I. Summary

The Commission approves San Diego Gas & Electric Company's (SDG&E) entries to its TCBA for the record period July 1, 1999 through August 31, 2000.¹ Specifically, the Commission finds that SDG&E's requested employee transition costs and administration costs for Qualifying Facilities' (QF) contracts and purchased power agreements with Public Service of New Mexico (PNM) and

¹ In D.00-09-040 (at p. 8) the Commission directed SDG&E to include entries to its TCBA for the months of July and August 2000 in its ATCP application, in addition to the period of July 1, 1999 through June 30, 2000. Also, in D.00-09-040 (*id.*), the Commission directed SDG&E to include testimony in the ATCP on the reasonableness of its energy procurement practices. By ruling dated November 17, 2000, Commissioner Wood bifurcated this ATCP into two phases: (1) the reasonableness of SDG&E's TCBA entries; and (2) the reasonableness of SDG&E's energy procurement practices. This decision addresses the reasonableness of SDG&E's TCBA entries for the record period. The reasonableness of SDG&E's energy procurement practices is addressed in D.01-11-029.

Portland General Electric Company (PGE) for the record period are reasonable and consistent with prior Commission decisions.² The Commission also concludes that SDG&E's requested Competition Transition Charge (CTC) revenue requirement of \$115 million for 2002 should remain in effect.

II. Procedural Summary

By Resolution ALJ 176-3049 dated November 17, 2000, this proceeding was preliminarily categorized as ratesetting. We confirm this categorization.

Prehearing conferences were held on December 18, 2000, and April 6, 2001. The parties having agreed that evidentiary hearings were not necessary, this phase of the proceeding was submitted for decision upon the filing of concurrent opening and reply briefs on June 8 and June 22, 2001, respectively by SDG&E and the Office of Ratepayer Advocates (ORA).

III. SDG&E's Showing

A summary of SDG&E's testimony (exhibit 1) is as follows:

- Chapter I (TCBA) explains the month-to-month operation of the TCBA and how SDG&E arrived at the August 31, 2000, balance.
- Chapter II (Disaggregated Electric Revenue and the TCBA) describes how SDG&E calculated the CTC revenue each month.
- Chapter III (Status and Disposition of Certain Memorandum Accounts) describes the status and potential disposition of various memorandum accounts, including SDG&E's Employee Transition Costs subaccount of the Industry Memorandum Account.
- Chapter IV (Treatment of Revenues from Power Purchase Contracts and San Onofre Nuclear Generation

² See e.g., D.97-06-060 (the Phase 1 Transition Cost decision),

Station (SONGS) Generation) describes the disposition of revenues SDG&E received for the sale of power from SONGS 2 & 3 generation and purchase power contracts to the California Power Exchange and Independent System Operator.

- Chapter V (Administration of the PNM Contract) describes how SDG&E administered its power purchase agreement with PNM during the record period.
- Chapter VI (Administration of PGE Purchase Contract) describes how SDG&E administered its power purchase agreement with PGE during the record period.
- Chapter VII (Administration of Purchase Power Agreements with QFs) describes how SDG&E administered its agreements with QFs during the record period.
- Chapter VIII (Proposed CTC Revenue Requirement) describes SDG&E's proposed CTC revenue requirement, effective January 1, 2002.

SDG&E corrected an inadvertent error it had made in calculating its requested employee transition costs (Exhibit 2). SDG&E originally had calculated the amount to be \$890,063 (before adding interest). However, following discussions with ORA, SDG&E agreed that the correct amount of employee transition costs for the record period should be lowered substantially to \$567,305 plus interest through the end of the record period, for a combined total of \$596,835.

SDG&E also provided an update on activity in its Energy Rate Ceiling Revenue Shortfall (ERCRCR) subaccount of its TCBA that was not available when it submitted its direct testimony on October 2, 2000 (Exhibit 2). The new information SDG&E supplied was for the months of September 2000 through December 2000. Because the record period of this application still is limited to

July 1, 1999 through August 31, 2000, the data supplied for September 2000 through December 2000 is for information only.

IV. ORA's Review of SDG&E's Showing

ORA's review of SDG&E's showing is set forth in its February 27, 2001, report (exhibit 16). Based on its review, ORA urges the Commission to adopt the following recommendations:

1. SDG&E's administration of QF contracts was reasonable during the record period.
2. SDG&E's administration and management of its contract with PNM was reasonable for the record period of July 1, 1999 through August 31, 2000.
3. SDG&E's administration and management of its contract with PGE was reasonable for the record period of July 1, 1999 through August 31, 2000.
4. The amount of \$596,835 for Enhanced Severance and Pension benefits for fourteen employees that served at the Encina, South Bay and Kearny Power Plants, which amounts includes interest for the record period is reasonable.
5. The August 31, 2000 TCBA balance in the amount of \$180 million is reasonable.
6. The 2002 CTC revenue requirement of \$115 million should remain in effect.
7. The ERCRS Account in the amount of \$528.7 million should not be included in the CTC revenue requirement, as it will be addressed in A.01-01-044.

V. Discussion

ORA and SDG&E were the only active parties in this proceeding. No factual issues were raised requiring evidentiary hearings on SDG&E's application. Accordingly, ORA Exhibit 16 and SDG&E Exhibits 1, 2, and 3 were

received into evidence at the conclusion of the second prehearing conference on April 6, 2001.

In summary, the evidence demonstrates that SDG&E's entries to its TCBA are consistent with prior Commission decisions and are consistent with the law. Accordingly, having reviewed the testimony, we find that the following specific requests are reasonable:

- SDG&E's requested employee transition costs plus interest for the record period for a combined total of \$596,835.
- SDG&E's administration and costs of its QF contracts and purchased power agreements with PNM and PGE during the record period.
- SDG&E's requested CTC revenue requirement of \$115 million for 2002.

Accordingly, we will adopt ORA's undisputed recommendation.

VI. Comments on Draft Decision

The draft decision of the Administrative Law Judge was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure. No comments were filed.

VII. Assignment of Proceeding

Carl W. Wood is the Assigned Commissioner and Bertram D. Patrick is the assigned Administrative Law Judge in this proceeding.

Finding of Fact

There are no disputed issues remaining in this proceeding. We have reviewed SDG&E's entries to its TCBA and find that they were recorded appropriately for the record period July 1, 1999 through August 31, 2000.

Conclusion of Law

We find the following activities and entries in the TCBA to be reasonable. These items are undisputed, and are in compliance with applicable Commission decisions:

- a. SDG&E's entries to its TCBA for the record period for July 1, 1999, through August 1, 2000.
- b. SDG&E's QF contract administration and costs during the record period.
- c. SDG&E's administration and costs of its purchase power agreements with PNM and PGE for the record period.
- d. SDG&E's accounting treatment for all of the energy purchased by SDG&E within the scope of this proceeding for the record period.
- e. SDG&E's requested employee transition costs of \$567,305 plus interest, for a total of \$596,835 for the record period.
- f. SDG&E's TCBA balance at the end of the record period (August 31, 2000) of \$180,047,614 (overcollected).
- g. SDG&E's proposed 2002 CTC revenue requirement of \$115 million.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's (SDG&E) entries to its Transition Cost Balancing Account for the record for July 1, 1999, through August 31, 2000, as set forth herein, are adopted.
2. SDG&E's proposed 2002 Competition Transition Charge (CTC) revenue requirement of \$115 million is adopted. Within 30 days of the effective date of

this decision, SDG&E shall file and serve a compliance advice letter implementing the adopted CTC revenue requirement.

3. This proceeding is closed.

This order is effective today.

Dated September 4, 2003, at San Francisco, California.

MICHAEL R. PEEVEY
President

CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners